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AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

Kristin K. Mayes, Chairman
Gary Pierce
Paul Newman
Sandra D. Kennedy
Bob Stump

Docket No E-01345A-08-0172

Post-Hearing Brief
October 16, 2009

Respectfully Submitted this 16th day of October, 2009

Barbara Wyllic Pecora

Original and thirteen (13) copies
Of the foregoing filed this
16th day of October, 2009

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Arizona Corporation Commission

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OCT 16 2009

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Closing Argument
Barbara Wyllie Pecora

RE E-01345A-08-0172

Your Honor:

Mr. Smith's closing acknowledgement to one of my questions to him succinctly sums up what APS is asking the Commission to allow it to do ~ borrow from future rate payers! I asked Mr. Smith what is the projected consequences on future rate cases for the rate payers by putting money generated from Schedule 3 into Revenue instead of CIAC? Mr. Smith gave me a long answer and at the end of his answer I asked "So you are kind of borrowing from the future?" And his answer was, "I can see how you could view it that way." Vol. III, 9-11-09, pages 1707, line 3-25 1708, whole page and 1709, line 1-19. APS is asking the Commission to facilitate that future borrowing through what was generously described in these proceedings as an "uncommon", "unique" and "unusual" accounting practice in what is obviously an attempt to create the appearance of current "revenue" from Schedule 3. APS's need to reflect revenue is solely due to its need to bolster its bond ratings. This treatment of Schedule 3 in the proposed settlement agreement is an illusion of current revenue for which future APS rate payers will suffer the consequence of increased APS rates ~ and for which current Arizona property owners and the counties tax revenues will suffer immediately.

In my closing I will cover the following areas:

1. Revenue vs. CIAC and the questionable APS accounting procedures

2. Reasons for reinstating the old Schedule 3 Revision 8
3. Taxes
4. Gold Plating
5. Due Process
6. Discrimination

CIAC vs. Revenue

Schedule 3 is not about costing APS. APS's very questionable accounting practices for a couple of years would be better described as "Enron-ing". I don't know how many times in these proceedings APS's proposed accounting procedure was referred to as "uncommon", "unique" and "unusual". *Vol. VIII, pp. 1691, Line 13-20, Vol. VIII, pp. 1697, lines 1-10, Vol. VIII, pp. 1698, line 11-25, Vol. VIII pp. 1698, line 1, Vol. VIII pp. 1748, line 11-25, Vol. VIII pp. 1749, line 1, Vol. VIII, pp. 1774, line 19-25, Vol. VIII pp. 1775, 1-25.* I am sure there were more references in the transcripts to these adjectives.

Mr. Higgins said he only knows of one other utility that has had this practice and they eventually went back to the CIAC accounting treatment. It was Questar Gas Company. *Vol. II 8-20-09, pp. 245 lines 11-22.*

Another word used frequently was "consequences". Many people asked repeatedly, what are the consequences of this uncommon, unusual, unique accounting procedure being proposed in this settlement to future rate cases and ratepayers? The answer time after time was higher rates in future rate cases. *Vol.*

II, 8-20-09 pp. 271, 272, 273, all lines. Vol. II pp. 331, 8-20-09, 1-6 Vol. VIII, 9-11-09 lines 13-20.

The question was asked how much the 1000 foot residential line extension in Schedule 3 Revision 8 would have cost the average residential ratepayer and the answer was about 20 cents a month. He couldn't remember for sure but it was pennies. Then subsidies came up saying that there may be many other subsidizes that ratepayers are paying and are not able to take advantage of. The renewable energy is a massive subsidy. Is that fair? *Vol. II, 8-20-09, pp. 275 and 276 all lines.*

Mr. Higgins said over time CIAC would produce a better treatment for customers but is OK with this temporary treatment. Later he added that he personally prefers the CIAC treatment. *Vol. II 8-20-09, pp. 336, lines 8-25.*

Another thing that jumped out at me is the fact that there probably wouldn't be a settlement agreement without this unusual, unique, uncommon accounting procedure. I asked Mr. Hatfield if he thought there would have been an agreed upon settlement, except for me, without Schedule 3 being treated as revenue and his answer was "no". This only reinforces the feeling that my intervening on the Schedule 3 issue really through a "clinker" into the mix. Life would have been easier for all parties to this rate case had I not intervened. *Vol. XII, 9-18-09, page 2496, lines 14-18. VIII, 9-11-09, pp. 1748, lines 18-25.*

Reinstating the Old Schedule 3 Revision 8

If I look at this policy as an individual. I want to do all I can not to pay more for power service. But, if I look at it as for what is the best for the State Of Arizona, especially rural Arizona there are benefits far beyond the 20 cents difference it makes to the average rate payers' monthly electric bill. APS and Arizona would have never flourished without schedule 3 being the way it was for 50 years.

I am just asking that the Schedule 3 Revision 8 residential line extension be reinstated. The projected cost to reinstate the residential line extension is \$6 mil for 2010, \$6.9 mil for 2011 and \$10 mil for 2012. The cost for these proposed single residential line extensions is 5 cents per million. Exhibit A. I do believe that this \$22.9 million projected cost for the next 3 years can easily be REVENUE NEUTRAL by moving funds from \$58 million overpayment of fuel or part of the \$150 million dollar cost cutting that APS is promising to do over the next 5 years in this proposed settlement. You can also eliminate the Section X lines 10.7 from the proposed settlement agreement. Commissioner Mayes asked me if I argued for these provisions in 10.7 or any other improvements. My answer was, "I had no input into these." Then Ms. Mayes added, "So this is not something that you asked APS and the parties to do?" My answer was, "This is the first time that I have actually had any discussion about those particular issues." Vol. II, 8-20-09, 472, lines 1-25.

Please review all of the support for reinstating the old schedule 3 policy.

There are letters in support of the old policy from:

La Paz County Assessor
La Paz County Supervisors
Yavapai County supervisors
Navajo County supervisors
Gila County Supervisor
Pima County
Senator Sylvia Allen
Senator Steve Pierce
Senator Russell Pearce
Senator Al Melvin
Shea Homes
Elliott Homes
Sterling Homes
Lennan Homes
Pulte Homes
D R Horton Builders
Southern Arizona Home Builders
Forest City Land Group/Gladden Farms
Southeastern Arizona Contractors Association
Yavapai County Contractors Association
Alliance Construction Trades
Metropolitan Pima Alliance
Arizona Association of Realtors
Arizonans for Fair Power Policy – growing every day.

In fact, if you have time, go to www.azpowerpolicy.org and look at the letters and newspaper articles. This web site has at least 10 newspaper articles that have covered this issue from all over the state. It is overwhelming when I stop and think of how many people I represent (unofficially) on this issue.

Mr. Froetscher said that the 1000 foot free line extension policy continues in effect on the Native American reservations. And the costs associated with those extensions are incurred by the company, then, at some future point will be rolled

into rate base and would show up in the overall bundle of delivery charges. *Vol. III 8-21-09 pp. 684, line 11-22.*

Commissioner Pierce thought there were some consequences due to the changes made to Schedule 3 policy in July Of 2007 that the commissioners really did not intend or foresee. Looking back he thought maybe the procedure should have been done differently by making people aware so they would not have been turned financially up side down. *Vol. II 8-20-09 pp.271 line 1-13.*

Commissioner Pierce talked about making adjustments for the Hopi Tribe and now asks "why?" Are APS rate payers' paying for that?

You have heard it, but I want to stress it again. This present policy is having a devastating affect on rural Arizona. I read a letter dated Feb 4th 2008 (Exhibit B) written by Commission Mayes. This letter pertained to the Native American Reservations. Ms. Mayes was asking the parties to that docket to consider exempting Native American from the new Schedule 3 or establish a means test - to be applied statewide - by which those who cannot afford to pay the new line extension costs could be exempted from them. She added that they face high unemployment and low income levels and that makes service connection fees a difficult burden. I couldn't say it better. Ask all of the counties that support reinstating Schedule 3 Revision 8 if this does not apply to most of their rural and remote areas. I wish I had known about this whole issue back when it was being proposed for this drastic change. What if all of the people, companies, politicians and municipal jurisdictions had signed on as interveners in July of 2007? Would

the outcome have been different? No one knew about it. Please hear their pleas now and do what is right for Arizona. Isn't the Corporations Commissions responsibility to prescribe just and reasonable rates and charges to be made and collected, by public service corporations?

My witnesses, Dr. Dirt, Ian Campbell, Carl Faulkner, and Joel Nelson know what constitutes value. This existing extension policy has stopped land sales, devastated value, and increased unemployment lines. (Under Barbara Wyllie-Pecora original testimony filed 7-22-2009 by Bobby Miller, Ian Campbell, Carl Faulkner and Joel Nelson.) Builders like Carl Faulkner have stopped building. (Under Barbara Wyllie-Pecora original testimony filed 7-22-09 by Carl Faulkner.)

Chairman Mayes said, "So the Barbara Pecora who is the realist, who thinks that maybe there's some compromise to be had, wouldn't say that the 1,000 free feet is the only thing that the Commission could do? And I answered, "Correct". Vol. II, pp 484, 8-20-09, lines 1-13.

Taxes

We, the state of Arizona, have not begun to feel the decreased tax base that will show up in future tax bills from the loss of property values across the state. I don't know if the counties that requested the SHAPE files have received them or not. Please refer to the attached letter to Commissioner Mayes dated May 1, 2009 from Pamela Pearsall, the Yavapai County Assessor. She requested that Ms. Mayes ask APS to provide shape files of their distribution lines to county

Assessor's. And she adds that if APS cannot do this, please consider reinstating the old policy because the property values in rural areas of Yavapai County have been negatively impacted. In Pamela Pearsall's last paragraph she said, "Again. I request that you ask APS if they can provide shape files of their distribution lines to requesting county Assessor's. If APS can not do this I request that you reconsider the extension policy because it may have had a serious adverse affect on rural communities and those vacant land property owners that could be adversely affected by this will not see a reflection of this value decline in their property tax burden due to APS's refusal to help the Assessor's fairly address the affect that the new extension policy has had on property values." *Yavapai County Letter* (Exhibit C). Who knows property values better than County Assessors? This policy has devalued property and proper assessments have not even begun!!!! Arizona stands to lose billions of dollars in property value. Because of this, the counties will be losing millions in tax revenue.

I also wanted to quote from an article in the Daily Courier August 31 2009 issue. Yavapai County Assessor Pamela J. Pearsall notices unexpected consequences. She wrote APS asking for "shape files of their distribution lines" so that she could use the information "to analyze how this policy may have affected property values in our county." APS wrote Pearsall that it would not send her the information because of "homeland security" and "proprietary property" concerns. Pearsall then wrote Commissioner Mayes asking that the ACC urge APS to send her the distribution shape files. "With the new extension policy in

place, I do not believe without distribution line information from APS that I can accurately value vacant land in Yavapai County." She wrote Mayes on May 1. She added in part that Mayes "reconsider the extension policy because it may have had a serious adverse affect on rural communities." Pearsall and Arizona's other 14 county assessors co-signed a previous letter asking the commission to revoke the policy. Newspaper article (Exhibit D)

Let's talk about value. Did any intervener including staff and RUCO provide testimony from a real estate agent, appraiser or County Assessor that land values are not going down because of the existing APS Schedule 3?

One of the exhibits I wanted to mention was a page 22 of Elliot Pollack and Company Impact analysis in which George Nault the La Paz County Assessor was interviewed. In Mr. Nault's opinion, the recent devaluation of most vacant property within the county was significantly related to the elimination of the free footage allowance. He stated that it is difficult to separate the effect of the downturn in the economy from the APS policy change. However, based on interactions with landowners and realtors, the consensus was that the policy change was driving down the price of land and discouraging potential buyers from purchasing land that does not have electrical lines to the property. The summary of Elliot Pollack's study page 35 of original testimony filed 7-22-2009. "Persons who currently own lots in areas not well served by electrical utilities are likely trapped with their investment or stand to absorb a substantial loss if they sell under the current service extension policies." "More than anything, the elimination of

the no-cost extension and other policies that helped to subsidize growth by these electric utility providers is an issue of fairness. The Policy will mainly affect a select set of landowners, primarily in the rural areas of the State."

Ian Campbell said the present policy affected his business greatly. The market itself has also played a factor in that, but he felt APS change of policy had a big affect as well. He said no one was certain what the cost of power would be. His clients now call and ask him what to do now. They don't have \$10,000 or \$15,000 or \$20,000 and all he can do is tell them to call APS. He has had to tell potential sellers that there land is almost worthless because the cost to the extension to bring electric to the property exceeds the value of the land. Vol. II. 8-10-09, 362, 363, 364 all pages.

Carl Faulkner has been involved in construction for 40 years and he said that the current Schedule 3 harms land development and new construction in general and specifically adversely impacts rural Arizona because of poor market conditions, sparse population and distances from electric power service. He mentioned unregulated monopoly, no competitive material and labor bids, no competitive contractor who is allowed to do the construction of facilities, and APS controls the schedule of when work gets done. He asks if it is fair that APS receives free of costs all their facilities. Mr. Faulkner said that he doesn't pay for a truck that the builder supply place needs to deliver trusses just so I can get their trusses, and they don't expect it. They pay for their own trucks. His original testimony in Vol. III, 8-21-09, 694, 13-17

Gold Plating

People don't know what is going on – APS's bids for power extensions are astronomical gold plated prices. I asked Mr. Froetscher how people were able to negotiate the cost down once a bid is received from APS for facilities. His answer was different for each example but how many more people should have lower costs and don't know about this negotiating procedure? Even Commissioner Mayes said that she is not satisfied. She does not see a uniform system and that it all sounds a little squishy to her. Vol. III, 8-21-09, pp 705 pp. 6-14.

I do not agree with the way APS and the other interveners set up the refund on the Proposed Schedule 3. Realtors, buyers, appraisers and landowners will still have to go to APS and find out how many people they have to pay back for the line extension. APS is the problem. The market has to have a simple figure for power extension costs. They can't tell me the token compromises/modifications in Section X number 10.7 will take care of it because it won't.

Remember **Debra Morrow**, the animal control officer from Ajo? She wanted her World War II veteran 83 year old father to live on her property in a manufactured home. She needed the electric brought 70 feet and was given a \$4200 plus another \$2000 estimate. Aug 12, 2009, Public Comment pp. 7-10.

Remember **Ms. Clute**, of Clute Construction and Development who was building a house and because of this present Schedule 3 policy was foreclosed on? This house was "infill". She got a quote of \$15,000 that was eventually reduced to \$6500. Ms. Clute thought it was odd when their bid was called proprietary. She said that was the exact word. She thought proprietary against what? *Aug. 12, 2009, Public Comment pp. 21, line 22 through pp 30, line 4. Vol. III, 8-21-09 pp 697, lines 8-25 and pp 698, lines 1-25.*

Remember **Ramona Corral**, who began to build a home in 2006 with the assumption there electric would be at no cost like their neighbors. The \$24,000 hook up fee was a shock. She provided pictures of there home which still does not have electric. And there, now, sets a brand new beautiful home, unoccupied, with a family having to rent somewhere that has electricity. *Aug. 12, 2009 Public Comment, pp 38, line 19 through pp 40 line 13. Vol. III, 8-21-09 pp 707, lines 16-25 and pp 708, all lines.*

Remember **Carl Faulkner**, the builder from Douglas. His property was purchased in 2004. Under the old program they would be reimbursed when people hooked up to the program for the fund – or the cost of those facilities that we paid in advance of anything being in the ground. When he went to APS for their second phase he was informed of the policy change. The engineer made a statement about developers having had it to good too long. Then someone mentioned that the bids were proprietary. Mr. Faulkner project has stopped. *Aug 12, 2009, Public Comment, pp. 67, line 21 through pp 73 line 13*

Remember the car wash guy, **Mr. Horvath**? His small business is at 19th Ave and Cactus here in Phoenix. He wanted to update his 30 year old electric service and was quoted exorbitant prices, \$23,000.00 to have power run to his existing property that already has power. *Aug. 12, 2009. Public Comment, pp 102. line 9, through pp.103. line 11.* I heard his price was negotiated down to \$8100 as of 10-6-09. This is a mess! Gold Plating exists! It must be stopped.

Due Process

In a recent article in the September 4 Capitol Times Maricopa County Superior Court Judge Joseph Heilman rejected a lawsuit that challenged the commission's ability to establish the Renewable Energy Standard and Tariff rules. Heilman found the final rules to be "nothing more than the progeny of a long line of rate-regulating rules and regulations." and the commission's drive toward establishing the rules included statewide workshops and open meetings with legally required opportunities for public input. None of which the ACC undertook before it eliminated the 1000 foot no cost line extension policy.

Did the ACC have workshops, open meetings and legally required opportunities for public input in the last rate case when the ACC eliminated the 1000 foot no cost line extension? The ACC may have had public hearings but this issue was not on the agenda neither was the public informed in advance that the ACC was even thinking about eliminating the 1000 foot policy. Therefore, there was no due process in the 2007 rate case. The ACC did not inform the public that

it was going to change this policy. Although we are having due process now it does not change the fact that the affected people were not given advance notice and a meaningful opportunity to provide input to the ACC on the unannounced decision to consider changing its policy.

A quote from a letter to Senator Allen from Jeff Hatch-Miller, a commissioner at the time, shows even an ACC member considered that the policy change "blindsided" the affected persons. "Please rest assured that I continue to stand with you on this important issue and support addressing the issue of hook-up fees in a generic docket where all of the relevant factors can be considered and all affected stakeholders can have the chance to be heard rather than blindsided." (Exhibit E) This letter is dated September 11, 2008. Commissioner Pierce stated at the Prescott Public Hearing on 8-6-09, "But I just think and what we agreed to do in a Staff meeting this week is to look at this issue and – and get all of the concepts of this issue, get our arms around it, because in the hear – in the meeting where we – in the APS rate case two years ago, there was an amendment by Chairman Gleason. And it – it probably only had *15 minutes* of debate actually in that meeting. It was gone through. There was a bunch of things said about growth paying for itself – all the catchy stuff, but a lot of the other issues weren't pulled into it which – which we have seen." (Exhibit F) Commissioner Pierce goes on to say there are issues that trouble him on the decision two years ago and that maybe there is a middle ground.

Because the ACC did not provide advance notice it was considering changing the 1000 foot extension policy, the ACC's actions assured that the public would be caught off guard when it made that decision – which apparently took all of 15 minutes to happen. That process is hardly due process, but better described as administrative fiat that we can only assume was someone's personal crusade that was swiftly carried out in such a way as to assure the public heard about it after the fact when nothing could be done. Plainly, there was no due process in July of 2007 when the 1000 foot extension policy was changed without warning or input.

I looked up the 14th Amendment to the U.S. Constitution and Section 1 under Amendment XIV says, "All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

Discrimination

Invidious discrimination involves formally or informally classifying people into different groups and according the members of each group distinct, and typically unequal, treatments, rights and obligations without a rational justification for the different treatment.

Where is the rational justification for discrimination? There are many remote areas of the state where the Line extension policy is having a detrimental effect on electrification.

In Commissioner Mayes' letter date February 4 2008 (Exhibit B) "I would like to recommend that the Commission look into the issue of exempting Native American reservations from the terms under the Schedule 3 docket, including the existing fee structure and \$5,000.00 credit for line extensions. Alternatively, the Commission could consider a 40-252 in order to either waive Native American reservations from the new line extension provisions, or establish a means test-to be applied statewide-by which those who cannot afford to pay the new line extension costs could be exempted from them. Some Native American reservations are located in geographically isolated areas of the state, with populations that face high unemployment and low income levels. These circumstances make service connection fees a difficult burden for many Native Americans.

To this point, we received a letter on January 16, 2008 from Todd D. Honyaoma, Sr., Vice Chairman of the Hopi Tribe. In his letter, Mr. Honyaoma highlighted the importance of rural electrification to the Tribe's livelihood in the remote desert. He further explained that several Hopi families have found it difficult to afford to connect to the APS distribution system under the terms of the Schedule 3 docket and requested that the Hopi land be held harmless from the new provisions of the Schedule 3.

The Navajo Nation, in 1999, had 40.1% of families in poverty status, and 42.9 of individuals. (Source: Census 2000, taken from www.navajobusiness.com). There is obvious socioeconomic need for the exemption. Nearly half of the Navajo Nation's families live in poverty, and they cannot be expected to get financing for power extensions, let alone pay in entirety, the cost of line extensions.

According to the 2000 census, Apache County had the highest total percent of the population living below poverty at 37.8%. They were followed by Navajo County 29.5%, Santa Cruz County has the third at 24.5%, Graham County 23%, La Paz County 19.6%, Yuma County 19.2%, and Coconino County 18.2%. The poverty rate in the State of Arizona in 2000 was 13.9% (extracted from www.ecanned.com). Most of the counties in Arizona have a greater poverty rate than the state average, why should they not be exempted as well? Surely the same reasoning could apply to excluding other counties that may not be as poor as the Native America Reservations. (Under Barbara Wyllie-Pecora original testimony July 22, 2009 by Chad Fisher.) Discrimination has clearly taken place and the ACC has not given rational justification.

Closing

No one ever allowed me to present or look at a compromise but if there is one thought I agree with it is David Rumalo that said any changes need to be simple for all parties. The way the policy is now, APS would have to provide

power costs estimates for every piece of property that is bought, sold, appraised or considered for development in the APS service area to get an accurate value or cost of development for the property. Better remember to take into consideration the "refund" due on any particular piece of property. (Tracking that should be fun.) Don't forget to give the county assessors the SHAPE files too.

Please reverse the existing Schedule 3 policy back to Schedule 3 Revision 8 extension policy. Then, take the next 3 years to review, hold meetings and notify all property owners of possible changes. (I will help.) If you will recall, Dr. Dirt said that in his opinion less than 5% of the affected people know about the change that happened in July of 2007 so there is very "little learning curve" Dr. Dirt feels that all of these negative impacts can be reversed if the ACC reinstates the old line extension policy NOW. The 3 years would give us time make the changes that are in the best interest of ALL parties. Arizona could begin tomorrow to recover from this worst real estate market since the Great Depression. No one had any idea how bad the United States economy would become when the Arizona Corporation Commission changed the Schedule 3 policy back in July of 2007. Let's reverse it and move forward.

Thank you for all your patience in helping me to participate in this very important process to the APS rate payers and Arizona.

Exhibit A

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BEFORE THE ARIZONA CORPORATION COMMISSION

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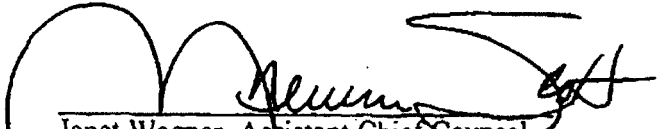
IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE FOR A
HEARING TO DETERMINE THE FAIR
VALUE OF THE UTILITY PROPERTY OF
THE COMPANY FOR RULEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. E-01345A-08-0172

STAFF'S NOTICE OF ERRATA

Staff of the Arizona Corporation Commission ("Staff"), hereby files this Notice of Errata to Ralph C. Smith's Reply Testimony filed on August 13, 2009. On page 5 of Mr. Smith's testimony, the chart entitled "Estimated Impacts to Settlement Revenue Levels of Differing Schedule 3 Scenarios for Single Residential Customer Line Extensions" contains incorrect numbers for some of the scenarios. Attached is page 5 with the corrected "Estimated Impacts to Settlement Revenue Levels of Differing Schedule 3 Scenarios for Single Residential Customer Line Extensions" table. Please use the attached page 5 in place of the original page in the docketed testimony.

RESPECTFULLY SUBMITTED this 14th day of August, 2009.


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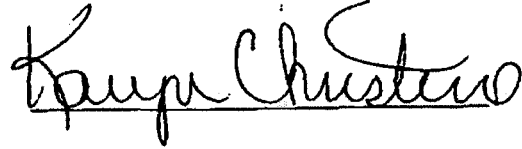
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23 Phoenix, Arizona 85020
24 Steve Morrison
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25 14005 West Old Highway 66
Bellemont, Arizona 86015
26
27
28

Kevin Higgins
ENERGY STRATEGIES, LLC
215 South State Street, Suite 200
Salt Lake City, Utah 84111



Q. Do you have some estimates of how a reinstatement of a free footage allowance for APS' line extensions could affect the amount of rate increase provided for in the Settlement Agreement?

A. Yes. I should caution that these amounts were provided by APS in the Company's responsive letter to Chairman Mayes dated June 25, 2009, and are estimates. Nevertheless, such estimates appear to be consistent with the figures that were provided by APS and discussed by the Signatories to the Settlement Agreement.

**ESTIMATED IMPACTS TO SETTLEMENT REVENUE LEVELS OF DIFFERING
SCHEDULE 3 SCENARIOS
FOR SINGLE RESIDENTIAL CUSTOMER LINE EXTENSIONS**

	2010	2011	2012
Settlement with the modifications to Schedule 3 referenced therein.	\$ 0	\$ 0	\$ 0
Scenario 1 - 1,000 ft free if under \$25,000. Full amount paid by customer requesting the line extension if over \$25,000.	\$ 5,960,000	\$ 6,850,000	\$ 10,000,000
Scenario 2 - Free footage if under \$5,000/\$10,000 (as applicable). Full amount paid if over \$5,000/\$10,000 (as applicable).			
50 ft. - up to \$5,000	\$ 580,000	\$ 660,000	\$ 960,000
100 ft. - up to \$5,000	\$ 600,000	\$ 680,000	\$ 990,000
500 ft. - up to \$10,000	\$ 2,760,000	\$ 3,140,000	\$ 4,550,000
750 ft. - up to \$10,000	\$ 2,800,000	\$ 3,190,000	\$ 4,600,000
Scenario 3 - Free footage approach subject to an investment cap.			
50 ft. but not more than \$5,000	\$ 2,600,000	\$ 2,960,000	\$ 4,280,000
100 ft. but not more than \$5,000	\$ 2,640,000	\$ 3,000,000	\$ 4,330,000
500 ft. but not more than \$10,000	\$ 4,815,000	\$ 5,460,000	\$ 7,850,000
750 ft. but not more than \$10,000	\$ 5,125,000	\$ 5,800,000	\$ 8,300,000
Scenario 4 - \$5,000 equipment allowance.	\$ 3,470,000	\$ 3,860,000	\$ 5,450,000

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



ARIZONA CORPORATION COMMISSION

Exhibit B

Direct Line: (602) 542-4143
 Fax: (602) 542-0765
 E-mail: kmayes@azcc.gov

February 4, 2008

Re: Exemptions for Hopi Reservation Land under AOS Line Extension Tariffs, Docket Nos. E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827

Dear Parties to the Docket:

As you are aware, pursuant to Decision No. 69663, the Commission adopted a new policy that replaces free footage for line extensions to service connections with a fee and credit structure. This requires parties to purchase footage for service connections that exceeds the \$5,000 credit limit. Additionally, pursuant to Decision No. 69663, the Commission approved a further revision to Schedule 3 in which free footage allowance would be eliminated. That provision has not yet been implemented, pending further consideration and review by the Commission.

I would like to recommend that the Commission look into the issue of exempting Native American reservations from the terms under the Schedule 3 docket, including the existing fee structure and \$5,000 credit for line extensions. Alternatively, the Commission could consider a §40-252 in order to either waive Native American reservations from the new line extension provisions, or establish a means test – to be applied statewide – by which those who cannot afford to pay the new line extension costs could be exempted from them. Some Native American reservations are located in geographically isolated areas of the state, with populations that face high unemployment and low income levels. These circumstances make service connection fees a difficult burden for many Native Americans.

To this point, we received a letter on January 16, 2008 from Todd D. Honyaoma Sr., Vice Chairman of the Hopi Tribe. In his letter, Mr. Honyaoma highlighted the importance of rural electrification to the Tribe's livelihood in the remote desert. He further explained that several Hopi families have found it difficult to afford to connect to the APS distribution system under the new terms of the Schedule 3 docket and requested that the Hopi lands be held harmless from the new provisions of Schedule 3.

I hope that the Commission can address the financial concerns of Native Americans regarding the new Schedule 3 policy and request through this letter that the question of whether Native American territories served by APS should be exempted from the proposed new Schedule 3 policy be addressed by all Parties to the docket.

Sincerely,

Kris Mayes
 Commissioner

Arizona Corporation Commission

DOCKETED

FEB - 5 2008

DOCKETED IN

1078

AZ CORP COMMISSION
 DOCKET CONTROL

2008 FEB - 5 P 3:45

RECEIVED

From: Pam Pearsall [Pam.Pearsall@co.yavapai.az.us]
Sent: Friday, May 01, 2009 2:13 PM
To: Mayes-WebEmail
Subject: Extension Policy - 1000 foot free-line extension, Docket Numbers E-01575A-08-0328 and E-01345A-08-172

Follow Up Flag: Follow up
Flag Status: Flagged

Exhibit C

PAMELA J. PEARSALL
South 6th Street
Assessor
Cottonwood, Arizona 86326

(928) 639-8121
RONALD D. GIBBS, CAE, AAS
(928) 639-8104
Chief Deputy

10

Phone

Fax

YAVAPAI COUNTY ASSESSOR
1015 Fair Street - Prescott, Arizona 86305
Phone (928) 771-3220
Fax (928) 771-3181

May 1, 2009

The Honorable Kristin K. Mayes
Arizona Corporation Commission
1200 W. Washington - 2nd Floor
Phoenix, Arizona 85007

Re: Extension Policy - 1000 foot free-line extension,
Docket Numbers E-01575A-08-0328 and E-01345A-08-172

Dear Kristin K. Mayes,

I request that you ask APS to provide shape files of their distribution lines to county Assessor's. If APS can not do this then I hope you will reconsider the new extension policy. This policy may have had a serious adverse affect on rural communities. Unfortunately, APS has failed to provide the Assessor's Offices information that would allow us to analyze how this policy may have affected property values in our counties.

I am the Yavapai County Assessor. It is my belief, based on my experience in valuing properties, that the new APS extension policy has negatively impacted property values in the rural areas of Yavapai County. I would like the opportunity to analyze sales based on distance from APS distribution lines. With this information my office would be able to confirm if the new extension policy has affected values in Yavapai County.

As you are aware county Assessor's are charged with discovering, listing and valuing uniformly all taxable and non taxable properties in each county. With the new extension policy in place I do not believe without distribution line information from APS that I can accurately value vacant land in Yavapai County. I have requested updated distribution shape files from APS so that I may make these adjustments in our mass appraisal module. Unfortunately, APS does not feel that they can provide these files to our office (My office has APS's distribution shape file information up to the year 2005 but we have not received current information since 2005).

APS has stated that this information will not be provided to the Yavapai County Assessor's Office based on two issues:

- #1 Homeland Security.
- #2 Proprietary Property.

#1.) Homeland Security: I am in need of distribution line information not information on generating facilities or generating equipment. It seems to me that terrorist can see most of the distribution lines (the location of overhead lines and poles) and the underground lines in neighborhoods with transformers would be easy enough to locate in the field. Therefore, terrorist looking to obtain maps of the type I am requesting is unlikely.

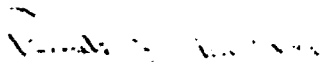
In addition, we will secure this information and not make it available to anyone outside of the Assessor's Office. Terrorist will not get this information from us.

#2.) Proprietary ownership – Yes I am asking for information from APS that perhaps is proprietary. This information will be solely used in our office internally for valuation purposes. We will not share or sell this information. We have a secure facility and have a lot of confidential information within our control. We will protect this information as we protect all confidential information in our office.

In fairness, the tax payers pay for the Yavapai County land GIS information and we have shared this information with APS at a minimal charge (\$75. for the layer). It is my understanding that our GIS land layer is the land base of APS's Yavapai section of their DOM's system. We did not charge APS very much for this information and the tax payers own this data. We understand that APS utility rate payers in Yavapai County and Yavapai County tax payers are typically the same people. That is why we felt it was in the best interest to work with APS and provide our information for such a minimal charge. APS designers utilize our free website which has satellite imagery of Yavapai County again this is paid for by Yavapai County citizens. Thus, if APS was to share their information in a spirit of cooperation with the Assessors' office (or charge us a minimal fee of \$75) this would help both the tax payers and APS rate payers because they are the same people in most instances.

Again, I request that you ask APS if they can provide shape files of their distribution lines to requesting county Assessor's. If APS can not do this I request that you reconsider the extension policy because it may have had a serious adverse affect on rural communities and those vacant land property owners that could be adversely affected by this will not see a reflection of this value decline in their property tax burden due to APS's refusal to help the Assessor's fairly address the affect that the new extension policy has had on property values.

Sincerely,



Pamela J. Pearsall
Yavapai County Assessor
1015 Fair Street
Prescott, AZ 86305

Exhibit D



The Daily Courier

Trusted local news leader for Prescott, Arizona communities since 1882

Corporation Commission to decide free line extensions in December

By Bruce Colbert
The Daily Courier

Monday, August 31, 2009



Courtesy photo

PRESCOTT - In the summer of 2007, the Arizona Corporation Commission sided in favor of Arizona Public Service and rescinded a 50-year-old policy of stringing for free as much as 1,000 feet of electric power lines to individual property parcels. The policy took effect in February 2008.

The ramifications of that decision in recent months have united property owners, Realtors, developers, public watchdog groups and government officials to protest the action and ask the ACC to reverse its decision and reinstate the free service.

Yavapai County Supervisors Tom Thurman and Carol Springer want the ACC to reverse its decision.

"Direct impacts identified (in a study by Elliot D. Pollack & Co.) included higher costs of home construction and acquisition, reduced property

values and delayed or cancelled construction projects," Thurman and Springer wrote the ACC on Aug. 3.

Decreased property values, property owners canceling new home purchases and construction projects, and loss of property and sales tax money sums up the opposition's arguments, said Sandra Griffiths, executive director of the Yavapai County Contractors Association.

District 3 Supervisor Chip Davis does not want the ACC to reinstate the 1,000-foot free power lines.

"Your decision to charge the developers and end users the cost to obtain their electricity rather than have all other electric customers subsidize their cost has my full support," he wrote Aug. 4 to Kristin Mayes, ACC chairman and a Prescott High School graduate. He added that the commission's decision to end the free power line policy "will encourage Planned Area Development instead of lot splits" and would "encourage solar and wind generation."

Mayes does not support reinstating the historic policy.

She wrote a letter Aug. 6 to "colleagues and parties" and posted it on the ACC website (www.cc.state.az.us/.)

"You must all be aware that I have been a strong proponent of the policy of growth supporting growth for electric public serve corporations' line extensions," she wrote. "As a result, I have advocated the elimination of 'free footage' tariffs for electric companies."

Arizona Public Service did not request eliminating the no-cost policy that started in 1954, but APS spokesmen say neither do they want the commission to re-instate it.

"We're not against it, but we're not asking them to change it," said Jim McDonald, APS public information

officer.

The no-cost policy is wrapped into a "settlement package" involving APS' recent 5.4 percent rate increase request. Commissioners included hearing arguments for and against re-instating the no-cost policy as part of a rate increase case that Mayes said she expects to wrap up sometime at the beginning of September.

Commissioners probably would vote the case in December on both the no-cost policy and APS' rate hike request, she said.

The Arizona Association of Realtors, the Yavapai County Contractors Association, construction companies - such as Shea Homes and Pulte homes - wrote letters to the commission, along with hundreds of others including Arizona Sens. Sylvia Allen and Steve Pierce, asking the ACC to reinstate the no-cost policy.

APS' McDonald said that "an additional benefit" of eliminating the free power line extension is that it has boosted "sales of existing homes because the people do not have to pay the hookup fee."

Mike Wyllie, a founding member of Arizonans For Fair Power Policy (www.azpowerpolicy.org) that is fighting to reverse the commission's decision, greeted the statement with a popular barnyard expletive.

"This is designed to benefit urban areas and counties like the Phoenix and Tucson areas, and discriminates against rural counties," he said.

As an example of his reasoning, Wyllie uses his personal experience with two dirt lots that he owns near Buckeye. APS' Vickie Vance wrote estimates for both lots.

Vance wrote Wyllie that one lot, which needs about 50 feet of line extension according to Wyllie, would cost an estimated \$10,800. The other lot needs about 990 feet of line extension and Vance wrote an estimate of \$25,400.

As far as building on the lots or selling them, Wyllie said "that's dead" for him.

"I can't afford that," he said. "I mean, the cost of getting power to some parcels is more expensive than the actual cost of the parcel."

However, APS is a business and spokesman Jeff Guldner said that eliminating the no-cost policy is a business decision, not a rural versus urban conspiracy.

During the final three years of the program, 2005 to 2007, APS spent nearly \$52.5 million to install 5,221 line extensions, according to McDonald. In 2005, the company spent about \$14.1 million for 1,523 extensions; in 2006, it spent about \$20.1 million for 1,605 extensions; and in 2007, it spent about \$17.3 million for 1,605 line extensions.

"In the past, the cost of a free \$19,000 line extension, for example, was absorbed by the existing customer base at large," he said. "You had many customers paying for a few customers' free lines."

Guldner agrees with McDonald that revoking the no-cost line policy is having an unexpected consequence.

"There is significant over-construction in Yavapai County," Guldner said. "You have to look at the economic benefit: you now have people looking at all those unsold homes that are already connected to the system and they won't have to pay a dime."

Yavapai County Assessor Pamela J. Pearsall notices another unexpected consequence.

She wrote APS asking for "shape files of their distribution lines" so that she could use the information "to analyze how this policy may have affected property values in our county."

APS wrote Pearsall that it would not send her the information because of "homeland security" and "proprietary property" concerns. Pearsall then wrote Commissioner Mayes asking that the ACC urge APS to send her the distribution shape files.

"With the new extension policy in place, I do not believe without distribution line information from APS that I can accurately value vacant land in Yavapai County," she wrote Mayes on May 1. She added in part that

Mayes "reconsider the extension policy because it may have had a serious adverse affect on rural communities."

Pearsall and Arizona's other 14 county assessors co-signed a previous letter asking the commission to revoke the policy.

Scottsdale residents Dwain and Elaine Pickens bought a two-acre parcel near Walker two years ago after the ACC revoked the free-line extension. Walker is about 12 miles southeast of Prescott.

Pickens said APS estimates it would cost \$13,500 to string a 300-foot line to where he wants to build his retirement home. The APS bill, combined with the cost of county building permits - "\$9,000 for a building permit on a 2,286-square-foot house" - has him at his wits-end about what to do.

"Combine these two and you have \$22,500 and we haven't even broken ground yet," he said from Scottsdale.

To learn more about the ACC, the APS rate increase, and the no-cost line extension case, visit www.cc.state.az.us/. To read and download letters to and from the commission, go to the bottom of the home page and click "eDOCKET." In the "Search" window, type "E-01345A-08-0172."

Examples of actual APS estimates for line extensions may be read and downloaded at www.azpowerpolicy.org.

"If I had known those two (APS and Yavapai County) were going to charge that much, I would have bought a place in Montana," Pickens said. "In fact, if I could sell my lot today for what I have in it I would."

"Problem is, lot values have declined probably about 50 percent up in the Prescott area."

Related Links

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MIKE GLEASON - Chairman
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GARY PIERCE



PIERCE

BRIAN C. MCNEIL
Executive Director

RECEIVED
ARIZONA CORPORATION COMMISSION

Exhibit E

SEP 11 A 10 37

DOCKET CONTROL

September 11, 2008

The Honorable Sylvia Allen
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

RE: Arizona Public Service Company – Elimination of 1000 Feet of "Free Extension"
Docket Nos. E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Senator Allen:

Thank you for your letter of August 20, 2008 expressing concern with the Arizona Corporation Commission's Decision to do away with 1000 feet of free line extension in APS' service territory. As you know, I was the sole dissenting vote on the amendment making that change during the summer of 2007. I also proposed an amendment against the elimination of free line extension in UNS Electric's service territory during the Commission's Special Open Meeting on May 14, 2008.

Like you, I recognize the harsh effects felt by customers following the elimination of free line extension, particularly in rural areas such as your district. Following the APS decision the Commission received numerous complaints from customers who felt frustrated and betrayed with what they saw as a unilateral policy change. Customers purchased land planning on the allocation of free footage only to find out later that they would be forced to spend thousands of dollars to have their service connected, and worse yet, there was nothing they could do to improve the situation. As you mentioned in your letter, in some cases the costs are absolutely outrageous, particularly for rural customers with lower incomes who struggle to provide for their basic needs.

Please rest assured that I continue to stand with you on this important issue and support addressing the issue of hook-up fees in a generic docket where all of the relevant factors can be considered and all affected stakeholders can have the chance to be heard rather than blindsided. If there is anything else I can do to assist you or your constituents please do not hesitate to contact me. Thank you again for writing.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Hatch-Miller".

Jeff Hatch-Miller
Commissioner

(E)

Exhibit F

61

1 free foot at one time. Now, they instantly started paying
2 for it in their rates, as did everyone else. And I pay
3 for it now in my rates.

4 And I think that's -- I think that's the point
5 about fairness. Is it free? Well, actually nothing is
6 free, if you're going to pay it back.

7 Now, some folks may get a little freer than
8 others, because maybe it does take -- their thousand feet
9 may have been a little more expensive for whatever that
10 reason is.

11 But I just think and what we agreed to do in a
12 Staff meeting this week is to look at this issue and --
13 and get all of the concepts of this issue, get our arms
14 around it, because in the hear -- in the meeting where
15 we -- in the APS rate case two years ago, there was an
16 amendment by Chairman Gleason. And it -- it probably only
17 had 15 minutes of debate actually in that meeting. It was
18 gone through. There was a bunch of things said about
19 growth paying for itself -- all the catchy stuff, but a
20 lot of the other issues weren't pulled into it which --
21 which we have seen.

22 And so that's why I think -- and I don't want
23 to be characterized that I support or don't support this.
24 I think the past things I've done would lead one to maybe
25 think certain things. But in this case, in this APS rate

1 case, I will treat that as a new thing, I -- and we'll go
2 forward with that case.

3 But there are issues that trouble me from the
4 decision we made two years ago, that haven't been resolved
5 yet. And -- and I -- and that's why I think it's come to
6 a head where we finally this week said we're going to have
7 what we call workshops to -- to get folks to -- and see if
8 we can't come to it -- I heard someone early on say, Is
9 there some middle ground? And perhaps there is.

10 So that's really what we've agreed to do, is
11 try to see if there's not some middle ground that is
12 fair. One thing about it, though, I will tell you, I am
13 really concerned because people for the last couple of
14 years have been paying for this -- their line extensions,
15 and yet they paid for it in cash, but in their -- once
16 they hook up, they're paying for it in their rates too,
17 because they're paying for what everybody else got over so
18 many years. So there's an equitability issue that also
19 needs to be addressed in that, and I get it, I
20 understand. Thank you.

21 CHMN. MAYES: Thanks, Tom.

22 MR. AUGHERTON: Thank you, very much, Madam
23 Chairman.

24 CHMN. MAYES: Ron Volkman.

25 And then that's all the slips I have, so if

1 anybody else wants to -- okay. We've got a couple more.
2 And we'll just -- if you could do me a favor and fill out
3 a slip after you speak.

4 But Ron, go ahead.

5 MR. VOLKMAN: Hi. My name is Ron Volkman. Is
6 it just me, or is it freezing in here?

7 COM. PIERCE: It's cold.

8 CHMN. MAYES: They said we would warm up from
9 the body heat, but it's not happening.

10 MR. VOLKMAN: I come here from the other side
11 of the mountain. I represent 749 members of the Sedona
12 Verde Valley Association of Realtors, and you know,
13 Rimrock, McGuireville, Sedona, Cottonwood, Jerome,
14 Clarkdale, and points beyond.

15 But I think we speak a lot more for hundreds
16 and even thousands of private property owners because
17 you've heard the stories of what's going on, and there is
18 real pain out there. You've heard the jokes -- I mean,
19 it's a one-horse state, APS.

20 But one of the things that, as I read through
21 the reviews about this issue, there's this little shadow
22 argument of urban versus rural, that rural is not carrying
23 its share and -- and they're -- you know what, let's admit
24 something, we lose economy of scale once we go rural
25 because it's just not concentrated. It's not the same